THIRD READING

Bill No: AB 2194
Author: Valencia (D)
Amended: 7/2/26 in Senate
Vote: 21

SENATE HEALTH COMMITTEE: 11-0, 6/24/26
AYES: Weber Pierson, Valladares, Caballero, Durazo, Gonzalez, Grove, Menjivar, Padilla, Pérez, Rubio, Smallwood-Cuevas

SENATE LOCAL GOVERNMENT COMMITTEE: 6-0, 7/1/26
AYES: Durazo, Arreguín, Ashby, Cervantes, Laird, Seyarto
NO VOTE RECORDED: Choi

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 68-0, 4/16/26 (Consent) - See last page for vote

SUBJECT: Medi-Cal: special commissions

SOURCE: Author

DIGEST: This bill staggers the terms of members of the Orange County Health Authority's governing board and requires the board to authorize and pay for an independent external audit of its governance procedures and practice.

ANALYSIS:

Existing law:

1) Establishes the Medi-Cal program, administered by the Department of Health Care Services (DHCS), under which low-income individuals are eligible for medical coverage. [Welfare and Institutions Code (WIC) §14000, et seq.]

2) Authorizes a county board of supervisors, by ordinance, to establish a commission to negotiate an exclusive contract with the California Department

of Health Care Services (DHCS) to provide, or arrange for the provision of, health care services under the Medi-Cal program. This system of services provided by or through a county is known as a county organized health system (COHS). Requires the enabling ordinance to, among other things, specify the membership of the county commission, the qualifications for individual members, the manner of appointment, and how long they will serve. [WIC §14087.54]

3) Establishes a 10-member governing board ("the board") for the County of Orange's COHS, The Orange County Health Authority (CalOptima), nine of whom are voting members nominated by the Orange County Health Care Agency and appointed by a majority vote of the Orange County Board of Supervisors. The tenth non-voting member is the Director of the Orange County Health Care Agency. Specifies the requirements for board composition:
   a) Two members of the Orange County Board of Supervisors, with one additional member of the Orange County Board of Supervisors serving as an alternate;
   b) One current or former hospital administrator;
   c) One representative of a community clinic;
   d) One member of the public, who is a legal resident of Orange County;
   e) One practicing licensed medical provider who is not an owner, officer, or member of the board of directors of a contracted independent physician's association or provider network;
   f) One current CalOptima member or a family member of a current CalOptima member;
   g) One accounting or public finance professional, or an attorney who is an active member of the State Bar; and,
   h) One practicing licensed physician who is a representative of the board of directors of a contracted independent physician's association or provider network. [WIC §14087.59]

4) Requires the Orange County Board of Supervisors to consult with stakeholders to identify qualified individuals, residing or employed in Orange County, to be considered as members of the CalOptima board. Requires the CalOptima board to generally be representative of the diverse backgrounds, interests, and demography of persons residing in the County, and to have a commitment to a health care system that seeks to deliver and improve access to high-quality care and is financially viable. [WIC §14087.59]

5) Requires CalOptima board members to serve four-year terms, except for those who are members of the Orange County Board of Supervisors, who serve a one-year term. Prohibits a CalOptima board member who is a member of the Orange County Board of Supervisors from being appointed to serve a four-year term immediately following the expiration of their one-year term. Prohibits members serving four-year terms from being appointed to serve more than two consecutive terms. [WIC §14087.59]

This bill:

1) Requires the following members of the CalOptima board who serve a term beginning prior to January 1, 2027 to serve a two-year term, before serving a four-year term subject to term limits:
   a) A representative of a community clinic;
   b) A practicing licensed medical provider who is not an owner, officer, or member of the board of directors of a contracted independent physician's association or provider network; and
   c) An accounting or public finance professional or attorney.

2) Requires CalOptima board members appointed to fill the unexpired term of a vacant seat to serve an initial term that corresponds to the unexpired term of the vacant seat. Requires a vacancy in the last 90 days of a term to remain unfilled until the expiration of the term.

3) Deletes the exemption from the two consecutive term limit for CalOptima board members who are members of the Orange County Board of Supervisors, and deletes the prohibition against appointing CalOptima board members who are members of the Orange County Board of Supervisors to a four-year term within 12 months of the expiration of their one-year term.

4) Requires the CalOptima board to authorize and pay for an independent external audit of CalOptima's governance procedures and practices by an independent entity with demonstrated expertise in health care governance, board oversight, and managed care operations. Requires this entity to be announced at a CalOptima board meeting and requires that there be an opportunity for interested stakeholders to submit input to the entity to review particular actions.

5) Requires the independent external audit to evaluate, at a minimum:
   a) CalOptima's conflict-of-interest policies and procedures;

b) The roles and responsibilities of the governing body, executive leadership, and staff;
c) CalOptima's policies and practices governing contracting, procurement, and vendor selection;
d) CalOptima's policy for nominating members to the governing body;
e) CalOptima executive leadership's and staff's ability to independently conduct contracting and procurement functions consistent with the governing body's oversight role; and
f) Recommendations to strengthen governance practices, accountability, transparency, and appropriate oversight.

6) Requires the auditing entity to interview CalOptima staff and provide anonymous opportunities to share feedback.

7) Requires the audit to be completed and the audit report submitted to the Legislature and DHCS by July 1, 2027.

8) Requires the CalOptima board to review the findings and recommendations of the independent external audit and develop a corrective action plan, as appropriate, to address any identified deficiencies. Requires that the audit report and any corrective action plan be made available to the public.

Background

According to the author of this bill:

> CalOptima is Orange County's county organized health system serving nearly one million residents, including low-income children, adults, seniors, and people with disabilities. Currently, all seven four-year board member terms expire at the same time, leading to sudden mass turnover and loss of institutional knowledge. This bill staggers these terms so that seats expire on a rolling basis, preserving experience and continuity through any transition. Further, this bill requires an external audit of CalOptima's policies, bylaws, and board actions to ensure they are acting in the best interests of Medi-Cal patients and are not led by a single member to benefit special interests. The recommendations that will ultimately come from the audit will only help to improve services for our families, seniors and children. Through these changes, this bill aims to ensure that every dollar CalOptima manages delivers full value for its members.

COHS. According to DHCS, a COHS is one of the five main models of Medi-Cal managed care plans. Under the COHS model, DHCS contracts with a managed care plan run by a county government entity, which is the sole Medi-Cal managed care plan operating in the county. COHS are generally exempt from many federal managed care organization requirements, including plan choice, and are exempt from state Knox-Keene Act licensure requirements. California COHS include CalOptima Health (Orange County), Health Plan of San Mateo (San Mateo County), Gold Coast Health Plan (Ventura County), CenCal Health (San Louis Obispo and Santa Barbara Counties), Central California Alliance for Health (Mariposa, Merced, Monterey, San Benito, and Santa Cruz Counties), and the Partnership Health Plan of California, which operates across 24 Northern California counties. To establish a COHS, a county's Board of Supervisors establishes, by ordinance, a commission to negotiate a COHS contract with DHCS. The commission serves as an independent oversight entity for the delivery of Medi-Cal managed care services in that county. COHS commissions are often comprised of representatives from county administration, health care facilities, providers, and plan members. Most COHS' governing ordinances do not explicitly require staggered terms.

CalOptima. CalOptima is the COHS offered to residents of Orange County, which was established in 1993 and has been enrolling residents since 1995. According to CalOptima, 841,313 people are enrolled as of March 31, 2026 — nearly one in three Orange County residents. CalOptima offers insurance to low-income individuals and families, seniors, and adults with disabilities through Medi-Cal, OneCare (a Medicare Advantage plan for those dually-eligible for Medicare and Medi-Cal), and the Program of All-Inclusive Care for the Elderly (PACE, a Medi-Cal/Medicare program that offers a range of health and social services that help seniors live independently), with a majority of enrollees on the Medi-Cal plan. As of April 23, 2026, CalOptima has a contracted network of 1,299 primary care providers, 8,265 specialists, 43 acute and rehabilitation hospitals, 73 community health centers, 247 long-term care facilities, and 499 pharmacies. CalOptima is also preparing to launch a plan through Covered California in January of 2027 to help maintain continuity of care for those transitioning out of Medi-Cal. CalOptima's Medi-Cal plan is accredited by the National Committee for Quality Assurance for their use of standardized data collection and measurement to understand health needs and address disparities, and the CalOptima PACE plan received a 94% satisfaction rating among enrollees in 2023—the second-highest score among all PACE programs in the state.

CalOptima's governance concerns. Controversies surrounding the governance and administration of CalOptima over the past fifteen years have resulted in the state codifying the composition and appointment structure of CalOptima's board of directors. In 2011, the Orange County Board of Supervisors amended the county ordinance governing CalOptima to extend the term of the member from the Board of Supervisors, reduce the number of consumers, and increase the number of providers on the board. The *Voice of OC* reported that within fifteen months of the reorganization, sixteen senior executives left CalOptima. In 2017, Supervisor Andrew Do sought to expand county administrators' representation on the CalOptima board by proposing the board be restructured to include all five supervisors and two county agency heads, according to reporting in the *Voice of OC*. However, the Legislature blocked the effort through SB 4 (Mendoza, Chapter 479, Statutes of 2017), which codified the board's composition as it existed in 2016. Concerns about CalOptima's governance resurfaced in 2021-2022 when local media reported that the CalOptima Chair, Supervisor Do, hired a former aide into a new high-ranking executive role, instituted large pay raises for executive staff without public discussion, and purged CalOptima's in-house legal counsel. A 2023 state audit of CalOptima found that CalOptima retained more in funds from intergovernmental transfers than other managed care plans, accumulated an excessive surplus of funds without a clear plan for spending it, and engaged in irregular hiring practices for executive positions. AB 498 (Quirk-Silva, Chapter 430, Statutes of 2022) was intended to provide key guardrails to protect against further politicization of CalOptima by making permanent the SB 4 changes and implementing conflict of interest provisions.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

SUPPORT: (Verified 8/4/2026)

Orange County Employees Association
Woundwalk.org

OPPOSITION: (Verified 8/4/2026)

City of Santa Ana, Councilmember Jessie Lopez

ARGUMENTS IN SUPPORT: Woundwalk.org supports this version of the bill, which they say brings an additional layer of accountability and transparency to the Orange County Supervisors and the CalOptima Health Board of Directors. The Orange County Employees Association's support is for a previous version of the bill.

ARGUMENTS IN OPPOSITION: The City of Santa Ana's Councilmember Jessie Lopez's opposition is to a previous version of the bill.

ASSEMBLY FLOOR: 68-0, 4/16/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Boerner, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Arambula, Berman, Bonta, Dixon, Flora, Harabedian, Hart, Hoover, Irwin, Papan, Celeste Rodriguez, Schiavo

Prepared by: Natalie Gehred / HEALTH / (916) 651-4111
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